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CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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COUNTRY Indochina

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1. The winter offensive of the Vietminh against Central Laos, which started after Loi Chau was taken, began with limited parts of the 304 and 325th Divisions, the major part of which was kept in readiness for the second phase of the offensive. The 325th Division has recently been equipped with antiaircraft guns and has been organized in commando groups to be used in raiding operations, which puts it on a par with the famous 304th Division as regards its combat value. The element of surprise was made effective by the unexpectedly rapid jungle advance, even though the French Command had anticipated the attack. Some forces from Thakhek were used by the French to strengthen Nam Phao but the Red's strike against these forces was so sudden that Thakhek appeared to be threatened and was therefore evacuated. However, it is now believed that that evacuation need not have taken place, had Nam Phao held out a little longer. There is now the danger that this Vietminh offensive will result in further attacks southward in the near future, with Kontum being used as the jumping off point. There are relatively well equipped forces in Kontum which have the strength of about a division, and these forces are ready for combat.
2. At the same time, Nguyen Giap still keeps the Franco-Viet troops in the Tonkin Delta pinned down by guerrilla activity by 60,000 men who have been infiltrated (42nd and 52nd Regiments, the latter of which is new). The Vietnamese troops, fresh from the training camps, are usually the ones on the receiving end of these attacks, and the French Commander is prevented from now resuming charge of those sectors because they had been previously transferred to the Vietnamese.

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3. The principal Vietminh effort is aimed at the North, but there is guerrilla activity in South Vietnam by guerrilla units strengthened by Lapdong (might also be Lao Dong) cadres from the North which use "Kernel" and infiltration tactics which were developed in the Tonkin area. In general, it seems that Navarre's new tactics have had no effect on either the fighting value of the Vietminh forces or the morale of the Ho government; the only effect seems to be that some of the Vietminh operational plans have been retarded somewhat by the Navarre raids.
4. Meanwhile, however, the Vietnam still continues to seek full sovereignty, but is hampered by internal dissension and a still-provisional regime. Bao Dai, in order to gain authority and taking into account the rising nationalist sentiment of the people, has replaced Tam and tries to temporize, hoping to calm the northern nationalist impatience. Bao Dai also waits and watches for the orientation which will be given by the Coty government of France. Therefore, Bao Dai, under Buu Loc (his puppet) has set up a transitional government whose principal purpose will be to negotiate Vietnam's new status as set forth in the 3 July Declaration. However, Bao Dai still does not fulfill the Nationalist desire for general elections or the convocation of an Assembly, as such action would put an end to Bao Dai's authority.
5. All the Nationalists want to have an Assembly, and the majority of them want one that will be capable of facing the Vietminh whether it be in war (if France withdraws her troops), or around a conference table. A minority of the Nationalists wants the Assembly to begin immediate discussions on an armistice, but it is definite that the majority of them do not favor any negotiations with the Vietminh now, although there are certain fringe elements who insist upon immediate negotiations and withdrawal of the French troops, while there are others who prefer to continue the fighting indefinitely.
6. Buu Loc, who has been charged with forming a "unity" government, is in great difficulties. The Nationalists do not consider him highly; there is a sharp division in their opinion, running all the way from support of Bao Dai under moderately nationalistic conditions, to complete refusal to support any Bao Dai-backed government. The mass of the people, however, remain aloof from all these questions since their only interest is to achieve peace in whatever form it may come, but they will not accept a mandarin-type administration which would keep its eyes open for any possible commercial gain.
7. The Vietminh continues with its incessant propaganda and demands agrarian reforms while the Vietnam government continues to content itself with rather superficial social reforms. Even though the masses are passive, they are certainly capable of violent action, as was vividly demonstrated in Saigon on 24 Dec when an organized crowd damaged automobiles owned by the French and Americans.
8. The American aid which is forthcoming seems to have very little effect on the spirit of the masses who are inclined to believe that it does nothing more than enrich some Vietnamese, particularly in the recent administration. One symptom of this feeling on the part of the masses is a rumor which was circulated in Hanoi that a government RICA had used members of his family to purchase land and furniture with American funds. In fact, there have been massive purchases of land which otherwise would be unsaleable with the reason given that regrouped villages are to be settled on this land.

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